

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Dept. of Public Works Wastewater Collection System #1	County Wexford
Audit Date 12/31/04	Opinion Date 5/19/05	Date Accountant Report Submitted to State: 8/8/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	Enclosed w/ Primary Government		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature Anderson Tackman & Co PLC		Date 8/8/05	

COUNTY OF WEXFORD, MICHIGAN
DEPARTMENT OF PUBLIC WORKS,
WASTEWATER COLLECTION SYSTEM #1
(an enterprise fund of the County of Wexford, Michigan)

Financial Report

December 31, 2004

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Public Works
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the Wastewater Collection System #1, enterprise fund of the County of Wexford, Michigan as of and for the year ended December 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the County of Wexford, Michigan's management. Our responsibility was to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only an enterprise fund and do not purport to, and do not, present fairly the financial position of the County of Wexford, Michigan as of December 31, 2004, and the changes in financial position and its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wastewater Collection System #1, enterprise fund of the County of Wexford, Michigan as of December 31, 2004, and the changes in financial position and its cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The County has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 19, 2005

Financial Statements

County of Wexford, Michigan
Wastewater Collection System #1

Statement of Net Assets
December 31, 2004

Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 581,857
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Noncurrent assets –

Capital assets – Net (Note 3)	<u>21,436</u>
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Total assets	<u>\$ 603,293</u>
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Liabilities

Current liabilities:

Accounts payable	6,101
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Accrued payroll and other liabilities	<u>905</u>
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Total liabilities	<u>7,006</u>
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Net Assets

Invested in capital assets – Net of related debt	21,436
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Retained earnings - Unreserved	<u>574,851</u>
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Total net assets	<u>\$ 596,287</u>
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County of Wexford, Michigan
Wastewater Collection System #1

**Statement of Revenues, Expenses,
and Changes in Net Assets
Year Ended December 31, 2004**

Operating Revenues

Charges for Services:	
Cherry Grove Township	\$ 100,900
Clam Lake Township	8,328
Selma Township	82,776
Other Revenue	70
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Total Operating Revenues	192,074

Operating Expenses

Salaries and Wages	32,292
Employee Fringe Benefits	16,098
Office Supplies	2,280
Operating Supplies	2,291
Utilities	26,397
Wastewater Collection	50,228
Insurance	3,750
Interconnections	2,260
Engineering Services	3,953
Repairs and Maintenance	20,805
Miscellaneous Expense	51
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Total Operating Expenses Before Depreciation	160,405
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Operating Income Before Depreciation	31,669
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Depreciation	5,460
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Operating Income	26,209

Nonoperating Income Expense

Investment Income	6,832
Operating Transfer (Out)	(39,501)
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Total Nonoperating Income (Expense)	(32,669)

Decrease in Net Assets

	(6,460)
Net Assets - January 1, 2004	<hr/>
	602,747
Net Assets - December 31, 2004	<hr/>
	\$ 596,287

The breakdown of actual revenue received from the townships is provided for additional information only.

County of Wexford, Michigan
Wastewater Collection System #1

Statement of Cash Flows
Year Ended December 31, 2004

Cash Flows from Operating Activities

Receipts from customers	\$ 192,074
Payments to suppliers	(113,046)
Payments to employees	<u>(49,606)</u>
Net cash provided by operating activities	<u>29,422</u>

Cash Flows from Noncapital and Related Financing Activities

Operating transfers out	<u>(39,501)</u>
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Cash Flows from Capital and Related Financing Activities

Purchase of capital assets	<u>(2,312)</u>
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Cash Flows from Investing Activities

Interest received on investments	6,832
Proceeds from the sale and maturities of investment securities	<u>530,000</u>
Net cash provided by investing activities	<u>536,832</u>

Net Increase in Cash

524,441

Cash – January 1, 2004

57,416

Cash – December 31, 2004

\$ 581,857

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating income	\$ 26,209
Adjustments to reconcile operating income to net cash from operating activities – Changes in assets and liabilities:	
Depreciation	5,460
Accounts payable	(1,031)
Accrued and other liabilities	<u>(1,216)</u>
Net cash provided by operating activities	<u>\$ 29,422</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Wexford, Michigan (the County) established the Wastewater Collection System #1 (the System) to provide wastewater collection within the County under the administration of the County of Wexford, Michigan. The Wastewater Collection System #1 Fund (the Fund), an Enterprise Fund, separately accounts for the Wastewater Collection System #1, as is required by the County of Wexford, Michigan. The following is a summary of the more significant accounting policies followed in the preparation of the Fund's financial statements. These policies conform to accounting principles generally accepted in the United States of America.

Reporting Entity

In accordance with the criteria established by the Governmental Accounting Standards Board, the Wastewater Collection System #1, is considered an enterprise fund of the County of Wexford, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the County to significantly influence operations, the accountability for fiscal matters including the level of County financing and/or moral or legal responsibility for long-term debt. Therefore, the financial statements of the Wastewater Collection System #1 fund of the County of Wexford, Michigan is presented in the financial statements as an enterprise fund, which is an integral part of the financial reporting oversight unit of the County of Wexford, Michigan.

The Fund operates and maintains the Lakes Cadillac-Mitchell sewer loop project of Selma, Cherry Gove, and Clam Lake Townships. The Fund does not have it own treatment facility, but contracts with the City of Cadillac for sewage treatment. At present, the County has legal title to the sewer fund, but each township has capitalized it proportionate share of the cost of the project as an asset in its sewer fund. The purpose of capitalizing the Fund in the township records is the provision in the lease contract that calls for the County to transfer ownership of the Fund to the townships upon maturity of the bonds. Each township has contracted with the Fund to operate and maintain the Fund.

Basis of Accounting

The accrual basis of accounting is used by the Fund. The Fund follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989. The Fund has elected not to follow private sector standards used after November 30, 1989.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

For the purpose of the statement of cash flows, the enterprise fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are not significant and, therefore, have been expensed when purchased.

Receivables

All trade receivables of the Fund are shown without an allowance for uncollectible accounts because delinquent amounts attach as a lien against the benefited property, which assures their eventual collection.

Capital Assets

All capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. The assets of the Fund consist of equipment items used to run the Fund. Depreciation on such capital assets is charged as an expense against operations on a straight-line basis.

Compensated Absences (Vacation and Sick Leave)

It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A portion of the sick pay, depending on department, and all vacation pay is eligible to be paid out when employees separate from service with the County. The sick and vacation pay that is eligible to be paid out when employees separate from service with the County is accrued in the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

County of Wexford, Michigan
Wastewater Collection System #1

Notes to Financial Statements
December 31, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS

The deposits and investments of the Fund consist entirely of cash and certificates of deposit. These deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$581,857. Of that amount, up to \$100,000 was covered by federal depository insurance. The insurance coverage pertains to all the deposits of the County; hence, the specific coverage pertaining to the Fund, if any, is not determinable. Of the proceeding deposit amounts, therefore, the uninsured and uncollateralized portions totaled at least \$481,857.

Management believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all of the bank deposits. As a result, the Fund evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligation of the State of Michigan or its political subdivisions, which are related as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board allows the County Treasurer to invest in all investments authorized by Public Act 20 of 1943, as amended.

The County of Wexford, Michigan's deposits and investments policies are in accordance with statutory authority.

NOTE 3 - CAPITAL ASSETS

The capital assets of the Fund are composed of the following:

	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004	Estimated Depreciable Life – Years
Capital assets being depreciated:					
Building and improvements	\$ 22,208	\$ -	-	\$ 22,208	25
Machinery and equipment	48,385	2,312	-	50,697	5-20
Vehicles	18,386	-	-	18,386	5
Furniture and fixtures	13,961	-	-	13,961	7
 Total capital assets being depreciated	 102,940	 2,312	 -	 105,252	

County of Wexford, Michigan
Wastewater Collection System #1

Notes to Financial Statements
December 31, 2004

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
Accumulated depreciation:				
Building and improvements	7,578	888	-	8,466
Machinery and equipment	43,756	2,764	-	46,520
Vehicles	15,243	1,054	-	16,297
Furniture and fixtures	11,779	754	-	12,533
 Total accumulated depreciation	 78,356	 5,460	 -	 83,816
 Net assets being depreciated	 \$ 24,584	 \$ (3,148)	 \$ -	 \$ 21,436

NOTE 4 - POST EMPLOYMENT BENEFITS

The County provides health care benefits to all full-time employees upon retirement. The cost associated with this benefit is charged to the County's self-insurance fund when incurred. Currently, one retiree is eligible. The County includes pre-Medicare retirees and their dependents in its insured health care plan. The County charges the retirees a monthly fee to participate. During the year ended December 31, 2004, the County collected approximately \$1,593 from retirees.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

The County's employees who operate the Fund are covered by a defined benefit pension plan. Complete information about the plan can be found in the County's basic financial statements. The County is required to contribute yearly a percentage of each eligible employee's salary as determined by MERS annually. The percentage for the year ended December 31, 2004 was 9.03%. Annual pension expense allocated to the Fund amounted to approximately \$2,669 for the year ended December 31, 2004.

NOTE 6 - RISK MANAGEMENT

The Fund is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Fund participated in the County's risk management program. The County has purchased commercial insurance for worker's compensation and medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability.

NOTE 6 - RISK MANAGEMENT (Continued)

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Michigan Municipal Risk Management Authority that the Michigan Municipal Risk Management Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

Detailed information concerning estimates of liability for claims is provided in the County's basic financial statements.